

7 JAN 1949

TOP SECRET

THE C.I.A. HAS NO OBJECTION TO THE DECLASSIFICATION OF THIS DOCUMENT.

GENERAL

NO.

028

1. US position on Berlin currency--The Department of State has informed US Embassy London that the US still believes that the reply of the western powers to the UN Technical Committee should point out the inapplicability of the Committee's plan for currency reform in Berlin in view of the current situation resulting from Soviet action in splitting the city administration. The Department adds that if this approach is unfavorably received by the British and French, the US is prepared to consider the acceptance of the Soviet mark on the basis of its autonomous use in the three western sectors. The US would make such acceptance conditional upon British and French willingness to agree formally to the establishment of the western mark by 30 January 1949 in the western sectors, if there has been no Soviet agreement to the western counter-proposal by that date. The Department believes that the reply of the western powers to the Technical Committee should declare that: (a) this counter-proposal is the only possible basis for western use of the Soviet Zone mark; and (b) unless there is prior agreement along these lines, the western governments will soon be compelled to make a complete change-over to the western "B" mark in their sectors.

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2. Portuguese views on Atlantic Pact--US Ambassador MacVeagh in Lisbon has transmitted the text of a memorandum which the Portuguese Foreign Office has sent to the UK concerning the views of the Portuguese Government on a North Atlantic Pact. The Portuguese Government has expressed its emphatic view that some such pact is indispensable to the maintenance of peace but has indicated that Portugal: (a) regards as impracticable any pact which would become linked to a close European federation; (b) does not favor the use of such a pact primarily for the establishment in peacetime of military bases on Portuguese territory; and (c) believes that the Spanish question must eventually be reconsidered in connection

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TOP SECRET

028

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TOP SECRET

with a North Atlantic Pact. The Portuguese Foreign Minister has told the British Ambassador in Lisbon that he does not believe that the stationing of foreign troops on Portuguese territory could be considered, except in the Portuguese Islands, until Spain becomes a signatory to the pact.

(CIA Comment: CIA considers that Portugal is not likely in the future to deviate from these views which are in accord with long-standing policies concerning the protection of Portuguese sovereignty and recognition of the geographic unity of the Iberian Peninsula.)

- 2 -

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